

**FIFTY-FIRST
ANNUAL REPORT
GENERAL ELECTRIC COMPANY
1942**

GENERAL  ELECTRIC

BOARDS

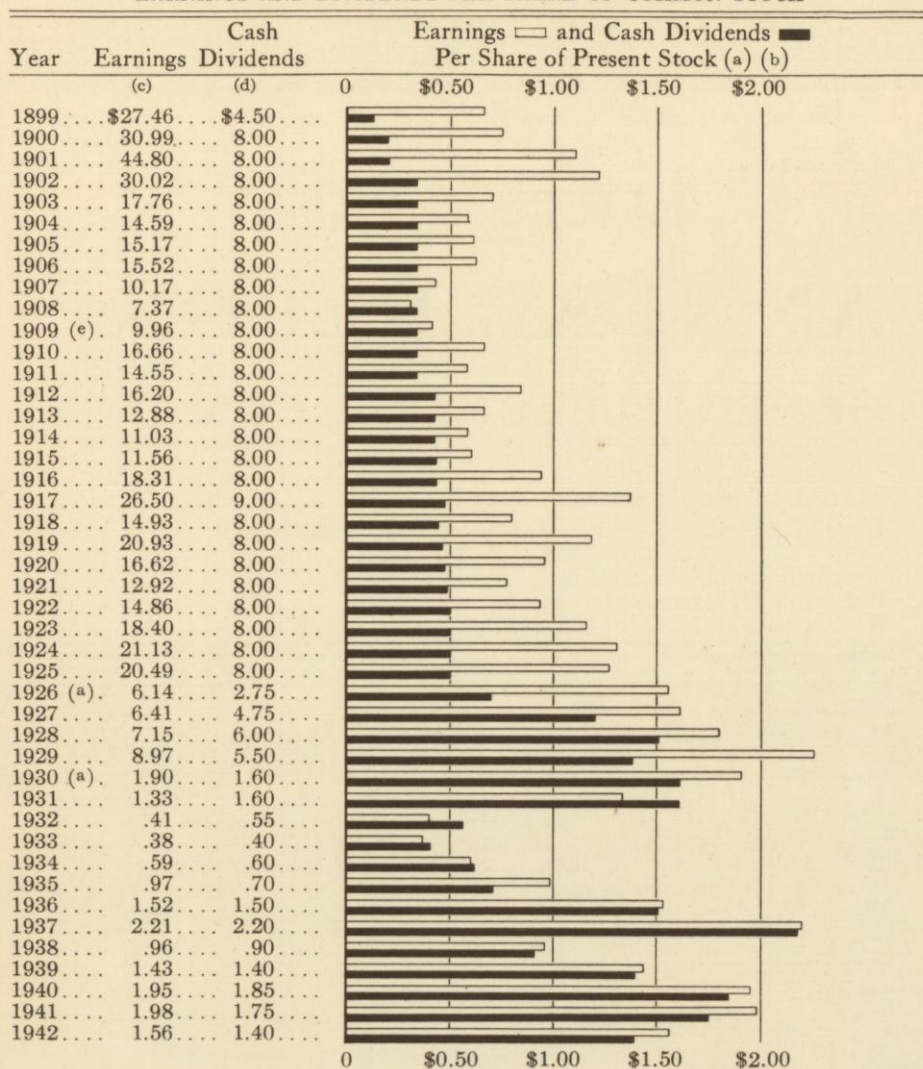
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GENERAL ELECTRIC

FORTY-FOUR YEAR RECORD OF EARNINGS AND DIVIDENDS PER SHARE OF COMMON STOCK



(a) Number of shares increased four for one in May 1926 and again in January 1930. (b) Adjusted for common stock dividends. (c) Per average number of shares outstanding. (d) Declared. (e) Eleven months.

The following dividends have been distributed in stock: 1902—66⅔% in common stock, to restore a 40% reduction made in 1898; 1912—30% in common stock; 1917—2% in common stock; 1918-1921 inclusive—4% annually in common stock; 1922-1925 inclusive—5% annually in special* stock; 1924—one share of Electric Bond and Share Securities Corporation stock; 1926—one dollar in special* stock; 1932—⅓ share of Radio Corporation of America common stock.

*Special stock, par value \$10 a share, paying 6% annual dividend. Retired in 1935 at \$11 a share and accrued dividend.

GENERAL ELECTRIC COMPANY

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STATEMENT OF ORDERS RECEIVED, INCOME AND SURPLUS

	1942	1941
Orders received	<u>\$2,003,039,023</u>	<u>\$1,132,837,258</u>
Sales billed	<u>\$1,047,134,843</u>	<u>\$ 679,333,760</u>
Provision for voluntary price adjustments on war contracts.....	69,360,217	
	<u>977,774,626</u>	<u>679,333,760</u>
Costs, expenses, and other charges, except those shown separately below.....	728,492,058	497,254,031
	<u>249,282,568</u>	<u>182,079,729</u>
Depreciation of plant and equipment.....	23,118,884	20,954,538
Income from sales, before provisions shown below	<u>226,163,684</u>	<u>161,125,191</u>
Income from other sources:		
Interest and dividends from affiliated companies and miscellaneous investments....	10,709,927	13,024,505
Income from marketable securities.....	324,340	1,063,202
Interest on bank balances and receivables...	194,089	225,898
Royalties and sundry revenue—net.....	689,418	1,758,703
	<u>11,917,774</u>	<u>16,072,308</u>
Total income, before provisions shown below...	<u>238,081,458</u>	<u>177,197,499</u>
Provision for:		
Federal income and excess profits taxes*....	193,000,000	120,000,000
Estimated post-war tax refund (credit)....	17,000,000	
Post-war adjustments and contingencies....	17,000,000	
	<u>193,000,000</u>	<u>120,000,000</u>
Net income for the year	45,081,458	57,197,499
Surplus at beginning of year.....	136,479,879	128,351,352
	<u>181,561,337</u>	<u>185,548,851</u>
Revaluation of investments for undistributed earnings of affiliates—net.....	5,096,540	1,358,153
	<u>186,657,877</u>	<u>186,907,004</u>
Dividends on common stock.....	40,329,394	50,427,125
Surplus at end of year	<u>\$ 146,328,483</u>	<u>\$ 136,479,879</u>
* Provision for all taxes payable for the year was.....	\$ 223,697,000	\$ 144,978,000

GENERAL ELECTRIC COMPANY

BALANCE SHEET December 31, 1942 and 1941

ASSETS		
	1942	1941
Current assets:		
Cash.....	\$ 51,044,762	\$ 44,161,584
Marketable securities (market value \$54,585,813).....	54,521,295	54,561,460
Total cash and marketable securities.....	105,566,057	98,723,044
U.S. Treasury notes for tax payments.....	106,000,000	30,000,000
Accounts and notes receivable, less reserves:		
Customers.....	92,425,055	59,948,991
Affiliated companies.....	8,790,260	10,249,547
Other.....	6,792,274	6,273,341
Inventories, less reserves.....	269,670,815	197,929,849
	589,244,461	403,124,772
Less: Progress collections on contracts.....	103,281,710	50,926,957
Total current assets.....	485,962,751	352,197,815
Other assets:		
Marketable securities deposited as guaranties.....	1,408,000	1,558,000
Accounts and notes receivable not current, less reserves.....	5,127,922	3,311,551
Loans to employees.....	32,000	50,464
Advances to employees for traveling expenses.....	230,003	205,627
Prepaid expenses.....	897,148	193,073
Total other assets.....	7,695,073	5,318,715
Assets of employee plans, per contra.....	10,971,391	4,741,270
Deferred charges to income for pensions....	3,000,000	4,000,000
Post-war tax refund—estimated.....	17,000,000	
Investments:		
Affiliated companies:		
International General Electric Company, Inc.....	27,736,265	26,896,588
Investment companies.....	60,716,610	53,845,908
Manufacturing, selling, real estate, and other companies.....	47,312,128	43,635,149
General Electric Company common stock—35,207.04 shares (market value \$1,073,815).....	1,000,337	1,642,345
Miscellaneous.....	3,337,726	3,605,461
	140,103,066	129,625,451
Less: Reserve for investments.....	6,859,205	487,472
Total investments.....	133,243,861	129,137,979
Fixed assets:		
Plant and equipment, at cost.....	267,355,929	247,201,770
Less: Depreciation reserves.....	200,588,256	185,519,138
	66,767,673	61,682,632
Patents and franchises.....	1	1
Total fixed assets.....	66,767,674	61,682,633
	\$724,640,750	\$557,078,412

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BALANCE SHEET December 31, 1942 and 1941

LIABILITIES AND CAPITAL

	1942	1941
Current liabilities:		
Accounts payable.....	\$ 29,408,790	\$ 18,122,712
Accrued federal taxes on income for year...	193,000,000	120,000,000
Other accrued items.....	77,412,867	31,683,230
Due to affiliated companies.....	956,494	783,921
Dividends unpaid.....	10,083,343	10,069,634
Total current liabilities.....	310,861,494	180,659,497
 Accounts payable and accruals—not current	 8,478,959	 7,626,575
 Collections under War Savings and other employee plans, per contra.....	 10,971,391	 4,741,270
 Charles A. Coffin Foundation.....	 400,000	 400,000
 Miscellaneous reserves.....	 35,380,144	 31,753,764
 Reserve for post-war adjustments and con- tingencies	 17,000,000	
 General reserve*	 14,933,233	 15,130,381
 Special stock—6% cumulative; par value \$10 (authorized and unissued 1,207,036 shares).		
 Common stock and surplus:		
Common stock (authorized 29,600,000 shares no par value; issued 28,845,927.36 shares)..	180,287,046	180,287,046
Surplus.....	146,328,483	136,479,879
 Total common stock and surplus.....	 326,615,529	 316,766,925
	\$724,640,750	\$557,078,412
 *Includes capital surplus of	 \$ 8,115,949	 \$ 8,305,214
Note: Provision has been made for all known contingent liabilities.		

GENERAL ELECTRIC

HOW THE INCOME DOLLAR WAS UTILIZED

The disposition of a dollar of the Company's total income (from sales and other sources) in the past three years, has been approximately as follows:

	<u>1942</u>	<u>1941</u>	<u>1940</u>
As earnings of employees	\$0.39	\$0.37	\$0.36
For materials, goods and services purchased from others, and for all other purposes except as shown below	0.31	0.31	0.35
For all federal, state and local taxes payable for the year . . .	0.23	0.21	0.13
For the use and replacement of buildings, machinery and equip- ment (depreciation)	0.02	0.03	0.03
To the stockholders—as dividends or as re-invested in the business (net income)	0.05	0.08	0.13
TOTAL INCOME	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>

GENERAL ELECTRIC

HIGHLIGHTS OF THE YEAR'S OPERATIONS

(Dollars in millions, except per share and per employee)

	1942		1941		Variance
VOLUME OF BUSINESS					
Orders Received	\$2,003.0*		\$1,132.8		+77%
Sales Billed (shipments)	1,047.1*		679.3		+54%
NET INCOME AND DIVIDENDS					
		Per Share		Per Share	
Net Income for the Year. \$	45.1	\$1.56	\$ 57.2	\$1.98	-21%
Dividends Declared. . . .	40.3	1.40	50.4	1.75	-20%
Dividends Paid.	40.3	1.40	40.3	1.40	—
TAXES					
Federal Taxes on In-					
come	\$193.0*	\$6.69	\$120.0	\$4.16	+61%
All Other Taxes	30.7*	1.06	25.0	0.87	+23%
Total Taxes for Year. . .	223.7*	7.75	145.0	5.03	+54%
STOCKHOLDERS					
Number of Stockholders					
December 31	221,608*		218,450		+ 1%
EMPLOYEES AND THEIR EARNINGS					
Average Number					
of Employees	139,939*		109,689		+28%
Total Earnings					
of Employees	\$382.0*		\$257.4		+48%
Average Annual					
Earnings per Employee	\$2,730*		\$2,346		+16%

EMPLOYEES IN MILITARY SERVICE

As of December 31, 1942, there were 21,280 General Electric men and women in the various armed services, and thirty-one former employees had given their lives for their Country.

* All-time record.

PEAT, MARWICK, MITCHELL & CO.

Certified Public Accountants

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS OF THE

GENERAL ELECTRIC COMPANY, NEW YORK, N. Y.

We have examined the balance sheet of the General Electric Company as of December 31, 1942, and the statement of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

We confirmed the cash and securities by count and inspection or by certificates obtained from the depositories. We examined the accounts of the International General Electric Company, Incorporated, G.E. Employees Securities Corporation, Electrical Securities Corporation, General Electric Realty Corporation, General Electric Contracts Corporation, and Canadian General Electric Company, Limited, on all of which we have reported separately. No examination has been made by us of other companies controlled through stock ownership, but balance sheets of these companies have been submitted to us and their accounts, with certain minor exceptions, are examined periodically by the internal audit staff of your company under the direction of your comptroller. We reviewed their reports and generally satisfied ourselves that your established accounting procedures are being followed. The investments in affiliated companies are carried at amounts based on the accounts thus examined. These, and the miscellaneous investments, in our opinion, are conservatively stated.

Requests for confirmation of notes and accounts receivable, representing a substantial proportion of the company's commercial receivables, were mailed to debtors selected by us and the percentage of replies was satisfactory. For accounts receivable due from United States Government departments which could not be confirmed by correspondence, we made a test examination of checks, pay statements and other evidence of indebtedness. We reviewed the accounts and notes receivable, and believe that adequate provision has been made for probable losses.

Inventories of merchandise, work in progress, and materials and supplies were taken and valued by employees of the company in all departments where the necessary shut-down would not interfere with war production. In respect to these inventories we reviewed the plan and system of control adopted for inventory purposes and observed the physical taking of such portion as we considered necessary, and we satisfied ourselves that the methods of taking and recording the quantities were carried out effectively. For inventories where it was impracticable to make any physical count without interrupting production of war materials, and which amounted to approximately 59 per cent of the total, we reviewed the cost records and other data supplemented by an analysis of the variances where physical inventories were taken. Provision has been made for inactive and obsolete stocks and for probable allowances or additional expenditures on completed contracts. Our examination satisfied us as to the substantial fairness of the amounts at which the inventories are stated.

Expenditures capitalized in the plant and equipment accounts during the year were properly so chargeable as representing additions or improvements, and adequate provision has been made for depreciation.

All ascertained liabilities have been included in the accounts.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the position of the General Electric Company at December 31, 1942 and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,

February 24, 1943.

GENERAL ELECTRIC

Schenectady, N. Y., March 20, 1943

*To the Stockholders of the
General Electric Company:*

There are presented herein statements showing the Company's operating results for the year 1942 (page 3) and its financial condition at the close of that year (pages 4 and 5). The report of the public accountants, certifying to the correctness of such statements, is shown on the opposite page.

During the year your Company delivered as great a quantity as possible of the war goods it had been called upon to produce. Deliveries to the Government have generally been made in accordance with or ahead of schedule, its products have met the specifications required, and various representatives of the Government have commended the Company for its performance in these respects. Eleven plants of the Company and its affiliates have won either the Navy "E" or the Army-Navy Production Award, and each of the fifty-eight General Electric men who were sent to Pearl Harbor following the disaster of December 7, 1941, was also awarded the Navy "E".

During the past two years your Company has utilized the services of some 1,400 other companies in 32 states on subcontracts involving over \$250,000,000 for work it would normally perform in its own plants. In these cases, your Company has furnished its designs and its experience and has assumed responsibility for work performed by the subcontractors.

OPERATING RESULTS

Some statistics concerning the year's operations are shown in simplified form on pages 6 and 7, and in the paragraphs immediately following are comments relating to certain items appearing on the Statement of Orders Received, Income and Surplus, page 3.

GENERAL ELECTRIC COMPANY

Orders Received

A total of \$2,003,039,023 of new business was booked during 1942, an amount 77 per cent greater than the previous record total booked during 1941. The new business obtained during 1942 was, for all practical purposes, limited to that amount which your Company considered itself able to produce and deliver within the time specified.

The amount of unfilled orders on hand plus assured business pending at the close of the past year was equivalent to approximately fifteen months output at current production rates and prices.

Sales Billed

Shipments during 1942 were 54 per cent greater than in 1941, the previous record year, and more than three times the average for the five years ended with 1940. On the basis of original contract prices, the value of 1942 shipments was \$1,047,134,843, but this amount was reduced by \$69,360,217 as provision, applicable to the year 1942, for voluntary price adjustments on war contracts.

Many Government war contracts undertaken by your Company involved products with which it had little or no previous manufacturing experience or for which the engineering designs had not been completed, and in such cases the initial contract prices were established on the basis of estimated costs. As production increased, it developed that substantial cost savings were being effected and, therefore, your Company adopted the policy of reviewing the financial results of completed and partially completed war contracts in order to determine the amount of such savings and to offer price reductions to the Government.

Up to the end of 1942, this policy had resulted in offers to reduce the aggregate price of 119 war contracts by \$95,053,000 and additional offers are under consideration. Of the total, the amount applicable to 1942 shipments, as shown above, was \$69,360,217. In addition, repeat orders for the products involved have been taken at prices equal to, or less than, the adjusted price of the original contracts, with corresponding additional savings to the Government.

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Income from Other Sources

The income from sources other than sales billed by your Company in 1942 amounted to \$11,917,774, or 26 per cent less than in 1941. Although each item of such income was less than for the preceding year, the major portion of the decrease resulted from the receipt of a smaller amount of interest and dividends from affiliated companies and miscellaneous investments. This, in turn, was due primarily to the fact that under existing conditions the affiliates found it necessary to retain relatively more of their net income to help finance their conversion to war production, increased taxes, etc.

Taxes

Federal income and excess profits taxes payable for the year 1942 amounted to \$193,000,000, from which total was deducted the estimated post-war refund of \$17,000,000 (page 14) so that the net amount charged against operations was \$176,000,000. Provision for other federal, state and local taxes aggregated \$30,697,000 for 1942 as against \$24,978,000 for 1941, an increase of 23 per cent. The gross amount of all taxes payable for 1942, therefore, was \$223,697,000 compared with \$144,978,000 for 1941, an increase of 54 per cent.

Net Income

In considering net income for the year 1942, attention should be called to the fact that various Government officials are directed by statute to renegotiate war contracts and sub-contracts with a view to eliminating amounts which in their opinion constitute excessive profits. In this connection, certain factual data have been requested by, and submitted to, the Navy Price Adjustment Board and additional data are now in course of preparation.

The Company's policy of voluntarily adjusting prices on war contracts has previously been described (page 10). In addition, in view of the major adjustments which will be required in connection with the resumption of normal operations after the war, and of the uncertainties arising from war conditions, legislation and the renegotiation of war contracts, your Com-

GENERAL ELECTRIC COMPANY

pany deemed it advisable to set aside as a reserve for post-war adjustments and contingencies an amount equivalent to the estimated post-war refund of excess profits tax (\$17,000,000).

After provision for taxes and the reserve just mentioned, the net income available for dividends to the stockholders for the year 1942 was \$45,081,458 or \$1.56 a share, compared with \$57,197,499 or \$1.98 a share for 1941, a decrease of 21 per cent.

Dividends on Common Stock

Cash dividends *declared* during 1942 totaled \$1.40 a share and included the dividend of 35 cents a share which was paid in January, 1943. Cash dividends *paid* during 1942 totaled \$1.40 a share, the same amount as was paid in the preceding year.

FINANCIAL CONDITION

In the following paragraphs will be found comments relating to certain of the items appearing on the Balance Sheet as of December 31, 1942, on pages 4 and 5.

Cash and Marketable Securities

Total cash and marketable securities held at the close of 1942 amounted to \$105,566,057 compared with \$98,723,044 on December 31, 1941.

Short term marketable securities held at the close of 1942 had an aggregate market value of \$54,585,813, but they were carried at \$54,521,295, the lower of par or market value. All of these securities mature during 1943, and consisted of direct or guaranteed obligations of the U.S. Government and its agencies, Local Housing Authority notes, obligations of states, counties or municipalities and notes of commercial corporations.

It will be noted that the increase in cash and marketable securities and in other current assets was almost entirely offset by the increase in current liabilities (see pages 4 and 5).

Accounts and Notes Receivable

Balances currently receivable from customers, after deduction of reserves, were carried at \$92,425,055 compared with \$59,948,991 a year earlier, an increase of 54 per cent. The greatest increases were in receivables from the U.S. Government and its agencies, and resulted from the increased rate of billing in the latter part of the year.

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Inventories

Because of the war emergency, it was not possible to take a complete physical inventory in 1942, as this would have required a production shut-down at all factories. The usual complete verification was made of nearly all warehouse stocks and of the work in process inventories of the relatively few manufacturing departments where this would not interfere with war production. These inventories were priced, in accordance with long established practice, at the lower of cost or market.

All other inventories were carried forward at their book value. However, during the latter part of the year, test or sample physical counts were made of a large portion of these inventories and as a result it is believed that, in the aggregate, their year-end book value represented substantially the same basis of valuation as that employed heretofore.

As in prior years, reserves were provided for estimated intra-company profits, for possible losses on frozen, inactive, or unbalanced stocks, and for price declines in basic commodities. After deducting such reserves, inventories were carried at a total of \$269,670,815 compared with \$197,929,849 a year earlier. The increase, equivalent to 36 per cent, was due entirely to the substantially increased rate of production on war products.

Loans to Employees

Loans to employees amounted to \$32,000 on December 31, 1942. Each loan was fully secured by the amount to the borrower's credit under the Additional Pension Plan (page 24). There were no loans to officers or directors of the Company.

Assets of Employee Plans

Cash, U.S. Government and other marketable securities, totaling \$10,971,391 at cost plus accrued interest, were held at the close of 1942, as shown on page 4, to offset the corresponding liability for collections under employee plans shown on page 5. During the past year these accounts increased approximately \$6,200,000, of which \$5,800,000 represented payroll deductions and cash collections for United States War Bonds to be issued to employees under the War Savings Plan (page 22).

GENERAL ELECTRIC COMPANY

Post-war Tax Refund—Estimated

Under the terms of the 1942 Revenue Act, 10 per cent of the excess profits tax paid for the year will be refunded to the Company in the form of non-interest bearing Government bonds. Since these bonds are to be non-negotiable and non-assignable until the termination of the war and will mature on the last day of the second year following the cessation of hostilities, the estimated amount of the refund (\$17,000,000) is carried on the Balance Sheet as a non-current asset.

Investments

Descriptions of the various classifications of the Company's investments and of the bases upon which they were valued at the close of the year 1942, are given below:

Affiliated Companies are those a majority of whose stock is owned by General Electric. The investment in each affiliate was carried at General Electric's equity in its net worth, computed after valuing its assets on the same basis as was used in valuing the assets of your Company.

General Electric common stock is held in the portfolio for corporate purposes. On December 31, 1942 there were 35,207.04 shares on hand, carried at acquisition cost—\$1,000,337, the market value of which was \$1,073,815.

During the past year, 42,400 shares of General Electric stock were purchased and 80,870 shares were disposed of. The latter were used in payments to employees under the Extra Compensation Plan (page 20) for the year 1941, and were distributed at market value on the date the payment was authorized. In addition, G.E. Employees Securities Corporation held 529,000 shares of General Electric stock, which were also carried at acquisition cost, and which represented the largest single holding of the stock of your Company.

Miscellaneous investments consist of your Company's direct financial interest in companies a majority of whose stock is not owned by General Electric, together with sundry other securities of an investment character. These miscellaneous investments and the corresponding investment securities held by the affiliated companies were valued at their market values or estimated fair values where no market existed. Such values were lower than aggregate cost.

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No values were assigned to the foreign investments of your Company, or of its affiliates, in companies located in enemy or enemy-occupied countries. In the case of investments in companies located in the Americas or in the British Empire, the foreign currency values were converted into U.S. dollars at exchange rates in effect as of the last day of the year, less a safety factor discount.

On this basis, the revaluation of your Company's investments for 1942 resulted in the following principal offsetting adjustments:

The amount of \$5,096,540, equivalent to your Company's equity in the undistributed earnings of affiliated companies for the year, was added to Surplus, as shown on page 3.

The \$6,371,733 of net unrealized appreciation in value of securities of an investment character was added to the Reserve for Investments, as shown on page 4.

The operating results of some of the principal affiliated companies are briefly summarized in the following paragraphs.

International General Electric Company, Inc., had net income amounting to \$3,507,711 for 1942 compared with \$3,388,935 for 1941. Cash dividends amounting to \$3,500,000 were paid during 1942 compared with \$3,400,000 paid during 1941. Of the preferred stock outstanding, 50,000 shares are held by the G.E. Employees Securities Corporation. The remaining 50,000 shares of preferred stock and all of the common shares outstanding are owned by your Company.

Canadian General Electric Company, Ltd., reported net income, expressed in Canadian currency, of \$2,327,453 compared with \$2,479,556 for the preceding year, a decrease of 6 per cent. Earnings available for the common stock were equivalent to \$11.71 a share in 1942 and \$12.57 a share in 1941. Dividends declared on common stock, 95.4 per cent of which is owned by your Company, amounted to \$8.00 a share, the same as in 1941. The dividends received by your Company were booked at \$1,298,700 in both 1942 and 1941, this being the amount realized in U.S. dollars.

G.E. Employees Securities Corporation had net income of \$1,861,564 compared with \$1,823,300 a year earlier. The Corporation has no preferred stock outstanding and on its common stock, all of which is owned by your Company, cash dividends of \$1,787,500 were paid in 1942 compared with \$1,820,000 paid in 1941.

GENERAL ELECTRIC COMPANY

The Corporation's liabilities consisted mainly of obligations which represented savings by employees of General Electric and its affiliated companies under the Plan for employees' savings (page 21) and under the Additional Pension Plan (page 24).

Electrical Securities Corporation had net income of \$2,693,835 compared with \$3,085,457 in the preceding year. The Corporation has no preferred stock outstanding. On its common stock, all of which is owned by your Company, cash dividends of \$1,392,000 were paid in 1942, compared with \$1,856,000 in 1941.

All of the Corporation's outstanding long-term notes were held by the General Electric Pension Trust (page 23).

Plant and Equipment

An analysis of changes in plant and equipment accounts during 1942 is shown below:

Cost, December 31, 1941	\$247,201,770	
Added during 1942	29,488,393	
	<u>276,690,163</u>	
Dismantled, sold, or otherwise disposed of during 1942	9,334,234	
Cost, December 31, 1942	267,355,929	
Depreciation reserves, December 31, 1941 ..	\$185,519,138	
Added by charges to income during 1942	23,118,884	
Proceeds from sales, etc., during 1942	1,284,468	
	<u>209,922,490</u>	
Cost of items dismantled, sold, or otherwise disposed of during 1942	9,334,234	200,588,256
Net book value, December 31, 1942		<u>\$ 66,767,673</u>

Depreciation of plant and equipment, as charged against income (page 3), amounted to \$23,118,884, compared with \$20,954,538 in 1941.

During the three years ended with 1942, your Company expended \$91,271,378 for expansion or improvement of its plant facilities and commitments were outstanding at the close of 1942 for an additional amount of \$16,000,000, a total of approximately \$107,300,000. Of this total about \$50,000,000 is being or will be amortized over a period of not more than five years.

During the same three-year period, expenditures by Government agencies for war production facilities leased to the Com-

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pany aggregated about \$108,000,000 and the total completed cost of these facilities will be about \$147,000,000. Most of these facilities, which largely represent new plants, are owned by the Defense Plant Corporation.

Liabilities

Total current liabilities at the close of 1942 amounted to \$310,861,494 compared with \$180,659,497 at the close of 1941, as shown on page 5.

Your Company had no funded debt or notes payable outstanding.

Charles A. Coffin Foundation

The following awards were made during 1942 under the provisions of the Foundation:

The Charles A. Coffin Medal was awarded to the San Diego Gas and Electric Company for having made a distinguished contribution during 1941 to the development of the electric light and power industry. In addition, a payment of \$1,000 was made to the Employees' Association of the San Diego Gas and Electric Company.

Charles A. Coffin Fellowships were awarded to four graduates of American colleges who desired to carry on postgraduate research work and who needed and were found worthy of assistance. One hundred and fifty-six Fellowships, aggregating \$95,525, have been granted since the creation of the Foundation in 1922.

Charles A. Coffin Foundation Certificates of Merit, accompanied by honoraria in cash, were awarded to thirty-seven employees for meritorious work and distinguished service.

Reserves

Miscellaneous reserves were provided for self insurance against fire losses and workmen's compensation allowances, for product guaranties, and for various other purposes. These reserves amounted to \$35,380,144 at the close of 1942, compared with \$31,753,764 a year earlier, as shown on page 5.

The Reserve for post-war adjustments and contingencies, amounting to \$17,000,000, was set aside during 1942 as outlined on pages 11 and 12.

GENERAL ELECTRIC COMPANY

The General Reserve amounted to \$14,933,233 on December 31, 1942, compared with \$15,130,381 a year earlier (page 5), the decrease representing the net loss realized during 1942 on securities disposed of by your Company and its affiliates.

RCA STOCKHOLDERS' SUITS

Beginning in 1938, derivative suits were instituted by stockholders of the Radio Corporation of America against its directors, your Company and others. The suits challenged the propriety of practically all transactions between the Radio Corporation and the various defendants from October 17, 1919 through November 21, 1932, and sought an accounting for alleged damage to the Radio Corporation and for alleged profits to the principal corporate defendants, of hundreds of millions of dollars.

Although it was believed there was no merit in these charges, there is always a risk in any litigation. Furthermore, a trial of all the issues would have required an extensive and detailed review of all these transactions and would have resulted in the diversion of the time of your Company's personnel and serious interference with its war activities. It was, therefore, deemed advisable to explore the possibilities of otherwise disposing of the suits. It developed that this might be accomplished by the payment of \$1,000,000 by the principal corporate defendants, of which amount your Company's share was 60 per cent.

Accordingly your Board appointed a committee of its members, none of whom had any association with the matters involved in these suits, which considered this offer and, after consulting with independent counsel, recommended that it be made, subject to approval of the Court. This was done and the Court appointed a referee to consider the fairness of the offer to the Radio Corporation. After hearings, the referee recommended acceptance of the offer and approval was given by the Court. Your Company paid its proportion, amounting to \$600,000, and obtained appropriate releases.

A stockholder of your Company brought an action to restrain this payment and, after a trial, the Court sustained the action of your Company in making the offer and denied the injunction.

ORGANIZATION CHANGES

Pursuant to the by-laws, as amended by the stockholders at their annual meeting in 1941, the number of directors of the Company was reduced from nineteen to seventeen.

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The stockholders and employees of the Company may well be gratified by the following outstanding calls upon its executive officers for distinguished service to our Government:

At the request of the Chairman of the War Production Board and of the Secretaries of War and of the Navy, and finally at the direction of the President of the United States, Charles E. Wilson accepted the position of Vice-Chairman of the War Production Board, and resigned as President and Director of the Company effective September 18, 1942.

Having been requested by the Ambassador to Great Britain and by the President's Envoy in London to continue his work in England as Deputy Chief of the Harriman Mission, Philip D. Reed resigned as Chairman of the Board and Director of the Company effective December 31, 1942.

The Board of Directors, therefore, requested that Owen D. Young and Gerard Swope resume their previous responsibilities. Accordingly, Mr. Young was re-elected Chairman of the Board, and Mr. Swope was re-elected President of the Company.

Theophilus F. Barton, Manager of the New York District, and William B. Clayton, Manager of the Southwestern District, were elected Commercial Vice Presidents of the Company on February 28, 1942.

EMPLOYEES AND THEIR EARNINGS

On December 31, 1942 there was a record total of 160,299 employees on the payroll of your Company, of which number 48,719 were women. This represented an increase during the past year of 37,459 in the total number of employees and 19,322 in the number of women employees. As of the same date, 34 pensioners had returned to active service at the request of the Company in this war emergency.

The average number employed during 1942 was 139,939 compared with 109,689 during 1941, an increase of 28 per cent and total earnings of employees aggregated \$382,039,000 compared with \$257,364,000 a year earlier, an increase of 48 per cent. Average annual earnings per employee amounted to \$2,730 in 1942 compared with \$2,346 in 1941 and were the highest in the history of the Company.

The increase in total earnings of employees was due principally to additions to the force, to increases in wage and salary

GENERAL ELECTRIC COMPANY

rates, and to overtime allowances and night-shift bonuses resulting from longer working schedules. Most production departments were operated on a multiple-shift basis throughout the year, and the men in the shops worked an average of 47.1 hours a week during 1942 compared with an average of 45.6 hours during 1941.

EMPLOYEE BENEFIT PLANS

On the following pages are brief outlines of the provisions of the principal Employee Benefit Plans currently in effect, together with information covering their operation and status.

GENERAL PROFIT SHARING AND EXTRA COMPENSATION PLANS

In addition to wages and salaries, compensation payments have been made to employees since 1916 as an added incentive to increase the efficiency of the Company's operation. Under present Plans, as authorized by the stockholders in 1934, such payments to employees are dependent upon, and vary with, the Company's profit.

The General Profit Sharing Plan provides that after deduction of 8% on average book value of the common stock, there may be set aside in any year, out of the profit available for dividends, not in excess of 12½% of the balance of such profit for distribution to all employees with one or more years of service who do not participate under the Extra Compensation Plan.

Available earnings under the Plan for 1942 amounted to \$2,845,024, compared with \$4,704,866 for 1941. This amount, together with \$102,603 of undistributed earnings for the previous year, makes a total of \$2,947,627 which will be distributed to eligible employees in April, 1943.

The Extra Compensation Plan provides that after deduction of 8% on the investment in a particular department or of the Company as a whole, there may be set aside in any year, out of the profit of the particular department or of the Company as a whole, an amount not in excess of 8% of the balance of such profit, for distribution to employees in executive and supervisory positions.

Approximately \$2,497,000 has been made available under this Plan for the year 1942 and such amount as the Directors may determine will be distributed to eligible employees in April, 1943. Payments for the year 1941 amounted to \$3,080,000.

AWARDS FOR EMPLOYEES' SUGGESTIONS

Suggestion awards have been made to employees since 1906 to stimulate their initiative in proposing better ways of doing

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things. During the 20 years since the system became formalized the Company has awarded approximately \$1,200,000 to employees for their suggestions which have been adopted. These suggestions have resulted in benefits not only to the Company and its employees but also to its customers. In 1942, for example, employees suggested ways of saving 1,250,000 man-hours of labor, over 1,000,000 pounds of steel, and large quantities of other vital metals.

LIFE INSURANCE PLAN

Life insurance protection for employees has been provided since 1920. At the present time Group Term Life Insurance is provided by the Company for those employees who subscribe and pay for Additional Group Term Life Insurance after one year of service. Thus the Company and the employees together share the cost of their insurance protection. The following statistics are as of December 31 and apply to General Electric and its affiliated companies:

	1942	1941
Insurance paid for by the Company	\$ 94,892,488	\$ 87,907,743
Additional Insurance, paid for by employees . .	181,859,300	152,417,900
Total Life Insurance in force	<u>\$276,751,788</u>	<u>\$240,325,643</u>
Number of employees insured	105,306	89,396
Benefits paid during the year	\$ 1,508,346	\$ 1,379,676
Twenty-two years:		
Company Insurance benefits	\$ 8,372,603	
Additional Insurance benefits	12,660,124	
Total benefits paid	<u>\$ 21,032,727</u>	
Number of beneficiaries	9,393	

SAVINGS PLANS

The G.E. Employees Securities Corporation (page 15) was organized in 1923 to provide a safe medium for the investment of employees' savings which would not be subject to market fluctuation and which would yield a regular and reasonable rate of return. Throughout the twenty years of its operation, it has accomplished these objectives. In that period \$107,433,510 of its voting debenture bonds have been issued and \$72,018,760 of these bonds have been redeemed without loss to the employees. The Corporation is managed by a Board of Directors consisting of representatives elected by the bondholders and by the stockholder.

On its voting debenture bonds and on its participating notes held by the Additional Pension Trust (described on page 24),

GENERAL ELECTRIC COMPANY

the G.E. Employees Securities Corporation pays interest at the fixed rate of 4% per annum, plus additional interest, up to a maximum of 2% per annum, for any calendar year in which its earnings exceed 4% of its average capital investment. The interest earned on these obligations amounted to \$2,922,418 (5.6 per cent) for 1942 compared with \$2,772,487 (5.5 per cent) for 1941. Interest and additional payments on such obligations during the past twenty years have amounted to approximately \$45,000,000.

To insure that its activities might not interfere in any way with the sale of War Bonds by the Government, the Corporation has made no offering of its voting debenture bonds since April 30, 1941.

The following statistics are as of December 31 and apply to employees of General Electric and its affiliated companies:

	1942	1941
G.E. Employees Securities Corporation:		
Debenture bonds held by individuals (a) . . .	\$ 35,414,750	\$ 36,957,070
Notes held by Additional Pension Trust (b) . . .	18,399,000	17,676,000
Total, representing savings of employees . . .	<u>\$ 53,813,750</u>	<u>\$ 54,633,070</u>
(a) Number of bondholders	27,573	31,479
(b) Number of employees saving through the Additional Pension Plan is shown on page 24.		

As of December 31, 1942, the market or fair value of G.E. Employees Securities Corporation's assets, which included a diversified portfolio of U.S. Government and other bonds, preferred and common stocks, was 1.6 times the amount of its total liabilities, and its earnings for 1942 were 2.2 times its fixed interest requirements. The corresponding ratios a year earlier were 1.5 times and 2.1 times, respectively.

A War Savings Plan (originally called a Defense Savings Plan) was put into effect May 1, 1941. Under this Plan, any employee may purchase United States War Bonds on an installment basis (as well as for cash) by authorizing the Company to make deductions for this purpose from his earnings.

Maturity value of United States War Bonds paid for by employees—May 1, 1941 to December 31, 1942 \$41,215,900

As of December 31, 1942, 91.7 per cent of all employees had authorized payroll deductions (equivalent to 10.0 per cent of the total payroll) for the purchase, at an annual rate, of United States War Bonds with a maturity value of \$54,248,600

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PENSION PLANS

The Company Pension Plan was inaugurated in 1912, was placed on a contributory basis in 1928 through the operation of the Additional Pension Plan (page 24), and was continued on that basis until the Social Security Act became effective on January 1, 1936. For employees added to the payroll on and after that date, pensions on the first \$3,000 of wages and salaries are solely under the Social Security Act, and the Contributory Pension Plan (page 24) provides for supplementary pensions for those whose salary rates are in excess of \$3,000 per annum.

The Company Pension Plan continues in effect for all employees on the payroll on December 31, 1935 who participate in the Additional Pension Plan. The General Electric Pension Trust was created to receive and invest the funds provided for pension purposes under this Plan, is administered by Trustees who hold title to its assets, and its operations and assets are separate and distinct from those of the Company.

All of the following pension statistics are as of December 31 and apply to General Electric and its participating affiliated companies.

	1942	1941
General Electric Pension Trust Assets.....	\$49,673,874	\$ 50,082,735
Pension and Life Retirement Payments:		
For the year.....	2,584,782	2,635,016
Last thirty-one years.....	33,726,407	
Number on pension and life retirement rolls. . .	3,502	3,491
Average age.....	70.4 years	70.0 years
Average continuous service.....	29.6 years	29.5 years
Average annual payment:		
Company portion.....	\$735	\$745
Government portion.....	59	42
Total.....	<u>\$794</u>	<u>\$787</u>

The assets of the General Electric Pension Trust decreased during 1942 because no payment was made to the Trust by your Company in that year. However, provision was made in the Company's accounts for a payment applicable to the year 1942, and this payment, in the amount of \$11,000,000, was made to the Trust in February, 1943.

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The assets of the General Electric Pension Trust consist principally of long-term notes of Electrical Securities Corporation (page 16). As of December 31, 1942, the market or fair value of the assets of that Corporation, which included a diversified portfolio of United States Government and other bonds, preferred and common stocks, was 1.8 times the amount of its total liabilities and its earnings for 1942 were 2.9 times its interest requirements. The corresponding ratios a year earlier were 1.7 times and 3.2 times, respectively.

The Additional Pension Plan was inaugurated in 1928 so that the employees might regularly save a portion of their earnings for pension purposes. At the present time this Plan continues in effect for those employees who were participants on December 31, 1935 and who have continued their participation. The savings of employees under this Plan, which are invested principally in notes of G.E. Employees Securities Corporation (see page 21) are held by the General Electric Additional Pension Trust which is administered by Trustees who hold title to its assets. The following figures are as of December 31:

	1942	1941
G.E. Additional Pension Trust Assets.....	\$20,615,816	\$18,313,936
Employees credited with these savings.....	43,305	42,889
Savings returned to individuals—15 years... ..	\$5,115,000	

The Contributory Pension Plan was established to provide supplementary pensions for employees added to the payroll since December 31, 1935 whose salary rates are in excess of \$3,000 per annum. These employees *may* put into a Contributory Pension Trust 6% of such excess and, when this is done, the Company puts into the same Trust 3% of such excess.

	1942
G.E. Contributory Pension Trust Assets—December 31..	\$84,607
Number of participating employees.....	1,051

VACATION PLAN

Vacations and allowances for military duty have been granted on various bases since 1892. At the present time, vacations with pay are granted annually (a) to salaried employees for two

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weeks after one year of service and (b) to hourly rated employees, piece workers, etc., for one week after one year of service and for two weeks after five years of service. In recent years, pay allowances in lieu of vacations have been granted in many cases to avoid interruption of war production.

	1942	1941
Vacation and Military Duty Allowances for the year	\$9,642,000	\$6,185,000

RELIEF AND LOAN PLAN

Through Relief and Loan Associations, employees become eligible, after one year of service, to receive some of the benefits formerly provided by the G.E. Unemployment Benefit Plan which was terminated after the Social Security Act became effective. The assets of such Associations consist of funds contributed equally by the employees and by the Company, plus income thereon. Most of these Associations are operated by local Boards of Administrators, one half of whose members are elected by the employees, and one half appointed by the management. The following figures are as of December 31:

	1942	1941
Assets of Relief and Loan Associations...	\$2,349,000	\$2,097,000
Last seven years:		
Loans granted.....	3,155,000	
Loans repaid.....	2,962,000	
Relief payments.....	118,000	

OTHER VOLUNTARY EMPLOYEE BENEFITS

Disability, hospitalization and death benefits for sickness and accident cases not covered by Workmen's Compensation laws, are available to employees and their families through Mutual Benefit Associations (established in 1902) and through a Group Sickness, Hospitalization and Accident Benefit Plan (established in 1939). Except for administrative expenses borne by the Company the entire cost of these benefits is paid for by the employees.

For all general accident preventive measures (including equipment, stand-by hospital service, etc.) your Company's expenditures are approximately \$1,800,000 per annum. Despite longer working schedules and greatly increased employment, there were only 6.07 accidents per million employee-hours worked

GENERAL ELECTRIC COMPANY

in 1942 compared with 6.05 for 1941, and the accident severity of 0.41 days lost per thousand hours worked in 1942 was the second lowest rate on record.

Other voluntary benefits for employees include: Educational courses, educational loans and scholarships, and loans for the purchase or construction of homes.

POST-WAR PLANNING

The management of your Company has believed and advocated for many years that through widespread and intelligent planning by Industry, with the co-operation of Labor and Government, ways and means should be found of lessening the violence of fluctuations in business activity, thus softening the impact of depressions, stabilizing employment, and helping maintain high standards of living.

To these ends, a Special Planning Committee was appointed during the year 1941 for the purpose of co-ordinating the efforts of your Company's management groups to become prepared to resume regular commercial activities promptly at the conclusion of the war. It is hoped that by developing new materials, new products and better methods, and by improving and broadening the established lines of business, a definite program may be formulated which will permit the full utilization of facilities and man power in supplying the demand for those electrical goods and services which contribute so importantly to the American way of living.

This Committee has carried on, and will continue, such long-range planning activities, but only to the extent that they do not interfere with the full discharge of your Company's responsibilities in the present emergency.

* * * *

Respectfully submitted for the Board of Directors,

OWEN D. YOUNG, *Chairman*

GERARD SWOPE, *President*

GENERAL ELECTRIC COMPANY

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LEON FRASER	CLARANCE STANLEY	LEWIS B. WILLIAMS
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GERARD SWOPE.....	<i>President</i>

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Sales Billed

1893-1942

